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MARCH 27, 1967

THE COMMON MARKET COUNTRIES

THE EEC ENDS ITS FIRST DECADE

OUR FOOD DONATION PROGRAM

AID FOR ITALY'S FLOOD-STRICKEN FARMS

APR 10 1967

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

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Including FOREIGN CROPS AND MARKETS

MARCH 27, 1967

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Shown on the map are the six original Member States of the European Economic Community, which was born 10 years ago with the signing of the Treaty of Rome. (See the article beginning on the page opposite.)

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Poultry on display in Europe's biggest open-air market—Les Halles, Paris.

The European Economic Community Ends Its First Decade

"Agricultural policy is difficult; it is delicate; it is political. Sometimes it is dynamite, not only in the European Economic Community, but as it affects relations between the Community and other countries."

These thoughts were voiced a few years ago in a speech by Sicco Mansholt, Vice President of the EEC Commission. They reflect what was known when the Community was launched March 25, 1957, with the signing of the Treaty of Rome—that the job of merging six diverse agricultures would be difficult. And so it has turned out. But the worst hurdles have been surmounted.

As in many families of human beings as well as nations, the hottest arguments have been over money—how to finance the Common Agricultural Policy, what should be the levels of the common prices to be set for farm products. The most serious crisis developed over the question of how revenues for funding the CAP should be provided and controlled. When French views on this were not supported by the other countries, France boycotted EEC Commission meetings from July 1, 1965, to the middle of January 1966, when compromises permitted work to continue.

The establishment of common agricultural markets—an obstacle now largely overcome—has been following this timetable: **November 1, 1966,** olive oil; **January 1, 1967-July 1, 1968,** fruits and vegetables; **July 1, 1967,** cereals, pigmeat, poultry, eggs, oilseeds; **September 1, 1967** rice; **April 1, 1968,** milk and milk products, beef and veal; **July 1, 1968,** sugar (also envisaged for that date are tobacco, nonedible horticultural products, hops, fishery products); **November 1, 1969,** wine.

Still unknown is the degree to which the EEC will liberalize its agricultural trade. Part of that story will be told in the closing weeks of the Kennedy Round of negotiations now being carried on in Geneva under the General Agreement on Tariffs and Trade.

Foreign Agriculture has marked the 10th anniversary of the signing of the Rome Treaty by asking the U.S. agricultural attachés assigned to the EEC countries to report from their posts what have been the highlights of the Community's influence on the agriculture and trade of the Six. Their accounts follow.

BELGIUM

Belgium and Luxembourg, for the purposes of this report, will be considered as one, since they are joined in the BLEU Customs Union, their trade statistics are combined, their agricultural prices are nearly the same, and there is free trade between them in agricultural products.

In general, the Common Agricultural Policy (CAP) of the EEC has not had a great impact on the agricultural output of these two countries. Over the years, their agricultural prices have tended to be very near the midpoint of the upper and lower limits established by the EEC Council of Ministers. Therefore, the pattern of their farm production has not had to be disrupted by any drastic adjustment of prices to comply with the regulations.

It is expected, however, that the sugar CAP will have a considerable impact on Belgian production. Not only will Belgians receive the same price for all sugar produced, instead of prices graduating downward as production moves up; but the sugar quotas assigned to Belgium for the next 2 years are substantially above recent production levels. For 1967-68, the price will be Bfr. 802 per ton of sugarbeets (15.5 percent sugar) for the quantity needed to produce 540,000 tons of white sugar; for 1968-69, Bfr. 850 per ton of beets (16 percent sugar) for a sugar quota of 530,000 tons.

What then has been the total impact of the EEC-CAP on the agriculture of these two countries during the past 10 years? For one thing, it has encouraged them to make policy decisions and initiate programs much sooner than they might have otherwise, and the result has been improvement in their competitive position for certain products vis-a-vis other EEC countries.

In Belgium, agricultural policy in the past was directed toward the stabilization of farm prices and the maintenance of farm income at an acceptable level. With the coming into being of the CAP, such measures have been largely

taken over by the EEC. However, policy directed toward the structural reorganization of agriculture remains largely in the hands of the individual governments, and it is in this area that Belgium is today spending more resources.

Although progress has been slow, considerably more attention is going to programs that will have a more immediate impact on output and incomes, such as providing guidance and assistance to the owners of very small farms and encouraging them to produce high-income crops for domestic consumption and export. At the same time, considerable research is underway to increase the efficiency of Belgium's agriculture and to determine what commodities it will best be able to produce once intra-EEC trade is completely liberalized. In Luxembourg, several projects near completion, especially a large farmer cooperative venture and the restructuring of agricultural holdings, have already had a pronounced impact.

The CAP has, however, caused several changes that have had a considerable impact on the BLEU consumer and the prices he pays. Most prominent are the elimination of the flour subsidy; the gradual reduction and eventual elimination of subsidies for the manufacture of dairy products; the introduction of the variable levy system; and the elimination of the mixing regulation for flour.

The principal change for the BLEU countries during the past 10 years has been in trade—always important to their economies. During 1964, imports accounted for 37 percent of the Gross National Product and exports for 35 percent.

Between 1956 and 1965 (latest complete year for which trade statistics are yet available), total BLEU trade rose sharply—imports by 95 percent and exports by 102 percent. Agricultural trade also rose, but not so sharply—imports 40 percent and exports 50 percent.

There was, however, a significant shift in the source and destination of this agricultural trade. Imports from the EEC increased 90 percent compared with a 37-percent rise in value for imports from the United States. Exports to the EEC more than doubled, while those to the United States—never a large market for BLEU's agricultural products—declined by some 6 percent.

In total imports, commodities showing the greatest increases were livestock products, prepared foods, hides and skins, and fibers; in imports from the EEC, vegetable products (especially cereals and fruits and vegetables); in imports from the United States, cereals and oilseeds. Biggest export increases were in livestock products, vegetable products, and prepared foods.

Although there have been, and will continue to be, important changes in the pattern of BLEU's trade, the United States has just about maintained its 15-percent share of this growing market for agricultural products, and it is expected that this trend will continue, at least for the near future.

U.S. agricultural exports have also somewhat more than kept pace with the growth of BLEU as a market for all U.S. products over the 1956-65 decade. The solid 37-percent increase in BLEU's imports of U.S. agricultural products compares favorably with the increases of 35 percent and 34 percent, respectively, for its total and nonagricultural imports from the United States. Agricultural products accounted for 32 percent of the total in 1956 and for 33 percent in 1965. In 1966, U.S. exports to BLEU totaled $185 million—a new alltime high.

—CLAYTON E. WHIPPLE
U.S. Agricultural Attaché, Brussels

FRANCE

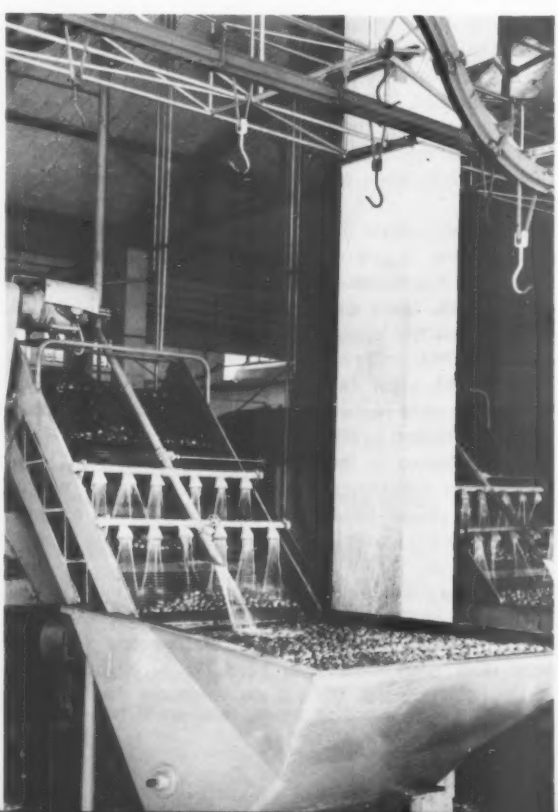
In the 10 years since the Treaty of Rome was signed, France has felt both a psychological impact and a trade impact from the Common Market, but until the borders are completely opened between member countries there will be relatively little impact on the orientation of French agricultural production.

Nonetheless, it can be said that French agriculture has made a number of positive gains. It has become more productive, more efficient, better equipped, and better organized; and producers have been rewarded with higher incomes. But for the most part, these changes have been gradual, not spectacular. And much of this progress had its roots in the early postwar years when it received considerable impetus from the Marshall Plan.

Thus, there are those who maintain that what has happened in French agriculture since 1957 would have happened anyway, more or less. It is true that French agriculture, like that of other industrialized countries, was bound to modernize. But it is nevertheless a certainty that the advent of the Common Market served to speed up some of the progress that was already in evidence, to improve certain farm prices, and to better condition French agriculture for the period that lies ahead.

It is in the area of organization and planning and in reshaping the trade pattern that the Common Market appears to have made the greatest impact. Productionwise there has been relatively little reorientation of French agriculture to the conditions of unfettered competition foreseen within the Community. No one really knows yet which French agricultural enterprises will survive and expand on the basis of being the most efficient, and which ones might shrink under the new order.

Some recent trends bearing directly or indirectly on French farm incomes might be usefully considered. Farms have become somewhat larger and hence less numerous. In



1957, France had about 2.2 million farms. By 1963, the number had dropped to 1.9 million, and there have been further reductions since then. The active farm population has been declining at the rate of about 155,000 persons per year and the percent of the active population engaged in agriculture has declined from 26 to less than 20 during the past 10 years. With fewer sharing in the agricultural pie, incomes per farm and per farm family have increased proportionately.

From the standpoint of crops, special interest has centered around French grain production and its potentials for expansion. Grain—especially wheat and barley—is the sector of French agriculture expected to feel the effect of the CAP most strongly, since the agreed-upon unified prices mean substantially higher prices for French farmers. But here, as with most aspects of the CAP, significant changes are more likely to come in the years ahead. Developments to date have not been as marked as might have been expected.

For example, the area sown to the five basic grains (wheat, barley, corn, oats, and rice) has remained remarkably stable—22,232,000 acres in 1960 and 22,217,000 in 1966. About all that can be said is that the barley area has tended to increase and the oats and rye areas have tended to decrease. The areas in wheat and corn have shifted very little although recent abnormal weather may have masked some of the effects that the CAP might have had otherwise.

There has been a general increase in the number of farm animals (except for horses), and an increasing share of farm incomes has been derived from livestock and poultry products in recent years. While livestock numbers have increased only gradually, livestock productivity has increased somewhat faster. Milk production has risen sharply, and surplus stocks of butter have reached record levels. Beef and veal production has risen faster than the number of animals available for slaughter.

Most of this gain, particularly in recent years, can be attributed to better milk and meat prices for French farmers, arising out of Common Market pricing structures. Here again, however, more pronounced changes are still to come.

Perhaps the greatest impact of the EEC so far has been on the export pattern for French farm products. Before the EEC, French agricultural exports were considerably smaller, and they went primarily to the associated overseas territories. By 1965, these former territories had dropped to a secondary position as markets, and France was exporting agricultural products worth $653 million to its EEC partners—or 57 percent of an expanded total. On the import side, France's trade with its Common Market partners increased also, reaching $430 million in 1965.

But all is not optimistic for the French on the trade front. Unless French farmers further increase their efficiency—and farm leaders appear to be acutely aware of this—these short-run gains may be offset by increased imports from more efficient EEC producers.

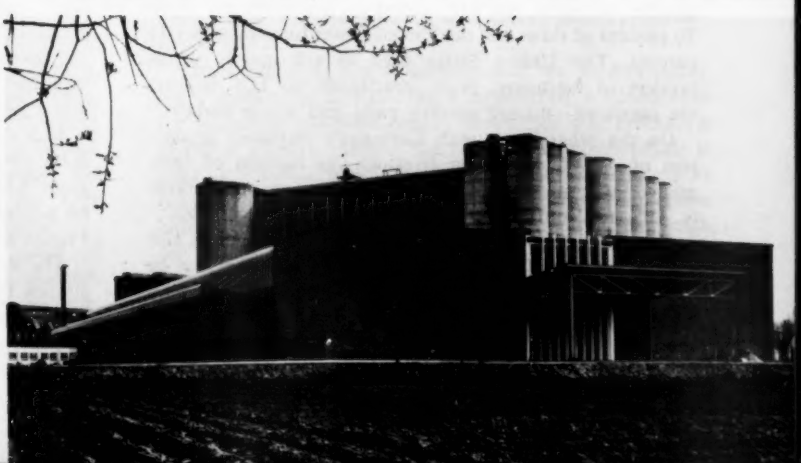
—PAUL E. QUINTUS
U.S. Agricultural Attaché, Paris

WEST GERMANY

The very high level of protection offered to EEC farmers is nothing new to Germany, which has traditionally given its farmers strong protection against imports. Thus, the EEC has so far had only a slight effect on German agricultural production. It might be interesting to turn the question the other way: What effect has Germany's agricultural system had on its EEC partners?

Perhaps the most prominent effect to date is that Germany's high grain prices have resulted in a grain price unification compromise that has meant significant increases for the other countries but a decrease for Germany. The EEC system of grain levies is similar to the import pricing

AGRICULTURE IN THE EEC: *Opposite, Italian tomatoes being processed for export; at right, Dutch laying hens, producing eggs for the big German market; below, French wheat ready for storage after combining; below right, Europe's biggest feed mill (C.H.V. in the Netherlands)—which is called "the organ."*



system that existed in Germany before the Common Market. Although these earlier levies were termed skimming charges, they were established on the same principle as the levies of today; that is, to equalize the difference between internal and the world market prices.

Since grain is such a basic commodity, this increasing effect that Germany's prices have had on those of its EEC partners will be reflected throughout the EEC's agricultural economy. Grain accounts for approximately half of the arable acres in the Community, and it is, of course, a fundamental element in livestock production. Higher grain prices will mean higher production costs for such items as pork, poultry, and eggs; this will be felt in the retail marketplace and will have its consequences on the consumption of livestock products.

Although grain prices in Germany will decrease by about 12 percent, this drop is not expected to have a significant effect on grain production. There may be some decreases in the prices of grain-based livestock products, but these decreases will not fully correspond to the lower grain prices, for mixed feeds in Germany are composed of only about 40 percent grain. Furthermore, some of the profits from lower grain prices may be lost in marketing margins.

Germany's agricultural trade has been affected by the EEC more measurably than its agricultural production. A good example is the situation on the German broiler market—one of near-chaos, partly attributable to the workings of EEC regulations. German broiler producers are in serious trouble because of sharp increases in production and the gradual decline in levies charged on poultry imports from the Netherlands. After the middle of this year, there will no longer be any charges on these imports, and competition from the Netherlands is expected to become even stronger. The Dutch now supply about as many broilers to German consumers as German producers do, and they are determined to hold on to this share. At the same time, the German producers are trying to increase *their* share, which equaled only about 40 percent of the total in 1966. Although the EEC levy system includes practically insurmountable protection against imports from third countries, it offers no barriers to imports from the Netherlands and other EEC members.

The EEC's impact on Germany's agricultural trade with outside countries has been substantial. Since 1960-61, imports of agricultural products from Germany's EEC partners have increased by about 70 percent; the increase in imports from third countries was only half as great.

The best specific example, once again, is poultry. Before the EEC, the United States supplied over one-third of Germany's poultry imports and Germany's EEC partners about the same share. In 1966, total poultry imports were roughly the same, but EEC countries accounted for about 70 percent of them and the United States for only about 15 percent. The United States used to sell mainly whole broilers to Germany. Now, practically no U.S. broilers are imported—mainly poultry parts and whole turkeys.

On the other hand, with Germany's increased production of poultry and other livestock, its imports of feedgrains, soybeans, and soybean meal have increased markedly. U.S. feedstuffs have shared in these increased sales.

Germany's strict food law and sanitary restrictions also restrict imports. The German Government appears to be taking the leadership in formulating EEC-wide food health regulations, and it is feared that these will reflect the overly cautious German standards. This is another example of Germany's influencing the EEC more than being influenced by it.

—PAUL G. MINNEMAN
U.S. Agricultural Attaché, Bonn

ITALY

Thanks to the economic miracle Italy accomplished in the first years after the Rome Treaty, and to its fond dream of becoming Europe's California, it remains firmly dedicated to the Common Market. Its faith may get some harsh testing as more of the CAP becomes a daily reality. But even so, Italy's enthusiasm remains high and is based on some solid evidence.

The logical aims for Italy to pursue within the Community were to exploit its natural advantages in fruits, vegetables, and rice and to lose as little as possible through EEC developments in grain and livestock. It is still too early to guess how these aims will eventually be met, but to date things appear to be moving favorably for Italy.

Italian production of fruits and vegetables has increased, and so have Italian sales to the EEC. For example, in 1957, 60 percent of Italy's fresh vegetable exports went to the future EEC countries; in 1965, EEC partners were getting 65 percent of exports that had doubled in value. Fruit other than citrus has also moved well, with a 60-percent increase in total export value and 70 percent now going to the EEC as against 60 percent before.

In processed tomatoes, despite far more competition of late on a world basis, Italy has more than doubled its exports to the EEC while increasing the total export value only one-fourth. In dried fruits and nuts (some of which, such as prunes and raisins, Italy even imports), it also doubled its exports to the EEC, while its total sales jumped two-thirds and the EEC share of them rose to over two-thirds from slightly more than half. Sales to EEC partners were higher too for rice, cheese, and wines (including vermouth).

Oddly enough, the most important single item in Italy's "California dream" group hardly changed. Citrus fruit—oranges and lemons—started in 1957 with 46 percent of a $65-million export total going to the EEC. In 1965, the EEC share was 44 percent of $75 million—an increase, but a modest one.

Also to be noted is the total impact of the surprising economic development that has occurred in the six countries since the Treaty was signed. Where Italy did well, how important were its products to its EEC partners? How much of the happy expansion in the EEC market was Italy's? This picture is not so glowing.

In 1965, France imported $312 million worth of fresh fruit and nuts, only 10 percent of Italian origin. Italy supplied one-third of the rice and about one-fourth of the cheese and preserved fruits and vegetables that France imported, but only one-fourteenth of the fresh vegetables and 2 percent of the alcoholic beverages.

Italy did better with Germany, but in no commodity was it the predominant supplier. And the Low Countries—Belgium, Luxembourg, and the Netherlands combined—were far poorer markets both in totals and percentages than were France and Germany.

The mixed advantages and disadvantages for Italy's agriculture that these statistics indicate should be considered within the total framework of Italy's membership in the

Common Market. Italy has not fared well in EEC negotiations on feedgrains or livestock. It contributes heavily to the European Agricultural Guidance and Guarantee Fund and so far has not drawn much in return. Its total exports of food and agricultural products have increased from some $500 million in 1958 to $850 million in 1965—but its agricultural imports have nearly tripled, rising from $546 million to $1,610 million, with emphasis on corn, livestock, and livestock products.

Industrially, Italy has fared better within the Common Market. In total, its progress is probably in no way discouraging. However, the Italians have learned that there are far more pitfalls than they had anticipated in the dense thickets of the EEC system. They have found complexities in Italy's trade relationships not only with the EEC countries but with the countries and territories that are or will be associated with the Community.

—ROBERT C. TETRO
U.S. Agricultural Attaché, Rome

THE NETHERLANDS

The Netherlands signed the Treaty of Rome with a typically Dutch mixture of high hopes and grave misgivings. Membership in the EEC seemed to offer the Dutch the larger market they required for the products of the almost miraculous industrial development they achieved in the 1950's. Yet they had some fears about the effect of complex EEC regulations on their agricultural trade—cornerstone of their economy for centuries.

On Netherlands agricultural production, the unfolding of the Common Agricultural Policy has had a mixed effect. So far, the CAP has tended to stimulate the production of milk rather than beef. The extent to which the Netherlands can continue to subsidize exports or domestic consumption of its still-increasing milk supplies is questionable.

In the meantime, rising incomes continue to boost consumer demand for red meat, especially beef. On poultry meat production, however, the effect of EEC protection has been almost incredible. Production has gone from 70,000 tons in 1958 to 215,000 in 1965 and to 240,000 in 1966. Broilers, once a negligible part of the total output, accounted for over 80 percent in 1966.

The sugar CAP has roused some apprehension. By and large, the Netherlands has been successful in balancing domestic sugar production with domestic requirements; the sugar needed to process export products is taken from the world market at the world price. Netherlanders find it regrettable that the sugar CAP may discourage them, and their EEC colleagues, from doing this in the future.

Under the EEC system, Netherlands agricultural exports have shown pronounced growth. Their total in 1965, at $1,939 million, was four-fifths above that of pre-EEC days. Exports to other EEC countries, at $1,125 million, had risen nearly 1½ times; exports to the United States, at $82 million, had gained by one-fourth. Transshipment trade of all types has increased fantastically. It is evident that Rotterdam and Amsterdam will remain centers for this and other marketing functions needed by the huge cargoes that the ships of the future will be able to carry.

Two success stories, from the Netherlands point of view, concern vegetables and poultry. Trade liberalization within the Community has enabled the Dutch to become, more than ever, the greengrocers of the EEC, particularly Western Germany. The glasshouse area of the Netherlands has been increased to over 15,000 acres for lettuce, tomatoes, and cucumbers. And the last step in lowering intra-EEC trade barriers will probably help consolidate its position as the world's leading poultry and egg exporter. Although EEC protection from third-country poultry imports has also helped German and French producers, Netherlanders currently have the technological lead in poultry raising and processing. Thus they have a strong edge over other EEC producers in supplying the EEC market. In 1965, the Netherlands exported 91,000 tons of poultry meat within the EEC, against only 24,000 in 1958.

Considerable growth has taken place too in Netherlands agricultural imports. In 1965, the $1,189-million total represented—like the export total—an increase of four-fifths. Of this, $242 million came from elsewhere in the EEC, for an increase of more than 1⅔ times; $329 million came from the United States, for a two-thirds increase.

The overall import pattern of the Netherlands—both industrial and agricultural—has probably been less affected by EEC policies than have those of its partners, because so many of the products imported are raw or semifinished. Still, prices have increased or will increase on certain items enough to disturb consumption patterns.

For example, since the initiation of the CAP, feedgrain prices have risen substantially in the Netherlands. This has encouraged the use of grain substitutes, and feedgrains (supplied principally by the United States) have not shared fully in the tremendous growth of the compound feed industry. These substitutes, such as feed peas and corn gluten feed, enjoy low or zero import charges because their production within the EEC is negligible. On the other hand, the United States has benefited from greater use of fats in feeds and from higher demand for protein supplements in the form of oilseed meals, which along with soybeans and other oilseeds, are bound duty free. Imports of feed wheat have come to a halt, since EEC regulations make no provision for trade in this item.

Netherlanders are concerned about the effect of EEC reference prices on citrus fruit imports and about that of the yet-to-be established CAP on tobacco imports. These are two instances of Dutch objections to having preferred varieties from third countries priced out of the market for the sake of the Community product.

The Dutch, once the most liberal traders of the six countries, are now urging the EEC authorities at Brussels to complete the EEC unification process. At home, they are working hard on measures designed to establish their country competitively within the EEC and maintain its position in third-country markets. This means consolidation of production and marketing efforts for many commodities, both within the Netherlands and across country borders in the EEC.

One example of this adjustment is in the poultry industry. Commercial interests have established a consortium for marketing complete poultry production and processing plants in Eastern Europe; the Netherlands Government is offering to subsidize poultry slaughter plants in joint export marketing; and there is currently a highly competitive battle going on among the Dutch, Germans, and French for control of the poultry industry.

—LOUIS M. SMITH, JR.
U.S. Agricultural Attaché, The Hague

Financial Aid Pouring into Flood-Stricken Farm Areas of Italy

By SHELDON K. TSU
Foreign Regional Analysis Division, ERS

Extensive relief programs are now underway for Italian farmers who suffered losses during the catastrophic floods of November 1966.

The floods—the result of torrential rains during October and November—brought an estimated $1.5-$2.0 billion in damage to Italy; the higher of these figures is equal to one-fourth of the national budget and to 4 percent of the national income. As many as 100,000 people were left homeless, and the death toll rose to over 100.

Rich agricultural region

The stricken areas—central and north Italy—are among the richest agricultural regions in the country. According to Mr. D. Antonizzi, the Italian Undersecretary of Agriculture, an area of over 2.0 million acres, chiefly farmland, was affected, with 770,000 acres completely under water. Damage to crops was light because of the time of flooding. However, crops growing in the fields—mainly vegetables—suffered heavy losses, and some damage also occurred to stored wheat and corn.

About 24,700 acres of farmland in the Po Delta were covered by salt water from the Adriatic and probably will be unsuitable for crops for several years.

Livestock and poultry losses in the flood areas were heavy. Tuscany—Italy's largest livestock-producing region—experienced flooding, as did the Province of Grosseto. The power failure resulting from flood damage also caused problems, particularly in the poultry industry.

$1.7 billion in relief

Under Decrees 914 and 976, ratified by the Parliament on December 23, 1966, and existing laws, the Government of Italy has budgeted $1.7 billion for relief programs in areas damaged by floods. The relief measures are of three main types: (1) immediate relief programs, which are currently in progress; (2) reconstruction programs, which have also been started; and (3) long-term flood-control programs.

Twelve percent of the total funds ($200 million—or 25 percent of the funds for immediate relief programs) are to be used as direct aids to agriculture. Farmers can obtain grants of up to $39 per acre on land totally or partially submerged and up to $800 for urgent repairs to buildings, including damaged homes of farmers even though the dwelling may be located in an inhabited center and not on the farm.

Surviving livestock from the flooded areas were rounded up and fed at government expense for a period of up to 3 months. The government also provided feed under the same terms to farmers whose livestock shelters and feeding facilities were destroyed.

Direct payments are authorized as compensation to farmers for the loss of or damage to stock. For livestock destroyed by the floods, the payment amounts to 20-30 percent of the value of the livestock. For injured livestock, if the damage exceeds 40 percent of the value of the livestock, payments amount to 30-40 percent of the value of damage. In addition, 5-year loans, at rates of one-half percent, are available to farmers for up to 60 percent of the replacement cost of the destroyed animals. Five-year loans, at 1 percent, are also granted to farm cooperatives for repairs to buildings and equipment.

Flood-control measures

Apart from special allocations to meet the increased loan demand, the Italian Government also raised the loan ceilings to cover additional requirements of land reclamation projects. Larger loans are granted under programs designed to create improved flood-control structures. In these programs, emphasis is placed on flood-control structures in mountain areas.

The Italian Government has also made changes in its provisions for long-term flood control projects under the Five Year Plan (1966-1970). Funds for flood-control work in the plan are to be increased by $320 million, bringing the total to $1.44 billion.

The agricultural sector also will benefit from reconstruction work on villages, transportation facilities, and other general relief programs.

Major sources of relief funds are: A 10-percent income tax surcharge; additional taxes on gasoline; the proceeds of a recently issued State bond, originally allocated for other purposes; a budget surplus from 1966; and a surcharge on estate taxes. Other sources include funds previously used for social security payments and new State bond issues.

Financial aid from the EEC and other countries is reported to be substantial.

ITALY'S SOURCES AND EXPENDITURES OF FUNDS FOR FLOOD RELIEF PROGRAMS

Item	Amount	Percent of total
SOURCE	*Mil. dol.*	*Percent*
Funds provided by decrees:		
Gasoline tax increase	328	.....
Income tax surcharge	264	.....
1966 excess tax revenue	32	.....
State bond issued	160	.....
Surcharge on estate taxes	16	.....
Total	800	47.6
Shift in funds from 1966 budget:		
From education fund	80	.....
From road and railroad fund	144	.....
From other public funds	96	.....
Total	320	19.0
Funds drawn from social security payments	320	19.0
New State bond issues	240	14.4
Total allocation	1,680	100.0
EXPENDITURES		
Immediate relief:		
Aid to agriculture	200	.....
Aid to industry	96	.....
Aid to village reconstruction	59	.....
Aid to transportation	37	.....
Aid to labor	56	.....
Public works	352	.....
Total	800	47.6
Flood control	320	19.0
Loan funds	240	14.4
Others	320	19.0
Total expenditures	1,680	100.0

U.S. Donates 26 Billion Pounds of Food Overseas in 17 Years

By T. WALTER HUGHES
Program Development Division
Foreign Agricultural Service

Over the past 17 years the United States has given $3 billion worth of its abundant food supplies to millions of less fortunate persons in 139 foreign countries.

This sharing has been accomplished through the foreign donation program, which is a vital part of U.S. food aid abroad. The program, the responsibility of the Secretary of Agriculture, has been administered by the Foreign Agricultural Service since 1963. Since 1960, certain responsibilities—including that for field administration—have been delegated to the Agency for International Development.

Although the program has changed over the years—to conform with changes in legislation—its basic people-to-people approach has remained the same. Donated food is a gift from the American people to each recipient, sent through U.S. private welfare and church-affiliated agencies.

Since shipments began in 1950, 26 billion pounds of food have been donated to 33 agencies, which have distributed it to needy persons and nonprofit school lunch programs in friendly countries and territories. In all, 22 commodities have been donated. They are: Dried eggs, butter, butteroil, ghee, nonfat dry milk, cheese, Irish potatoes, cottonseed oil, peanut oil, soybean oil, shortening, rice, dry beans, corn, cornmeal, wheat, flour, bulgur, rolled wheat, rolled oats, grain sorghums, and blended food products.

Peak year of the program in number of recipients was fiscal year 1963, when donated food went to 77.3 million persons—33.5 million of them schoolchildren. Peak year in quantities shipped was fiscal 1964, when exports totaled 3 billion pounds.

Program authorization

Original legislative authority for the U.S. foreign donation program was contained in Section 416 of the Agricultural Act of 1949.

This authorization remained in effect until the provisions of Section 416 were amended and incorporated into Title III of Public Law 480—the Agricultural Trade and Development Act of 1954. In the latest renewal of Public Law 480—effective last January 1 through 1968—the foreign donation authority is under Title II.

Some program developments

Until this January, the donation program has been generally restricted to "surplus" foods.

Section 416 limited foods offered for foreign donation to those price support commodities in excess of those required to supply requirements with higher priority. This same limitation was retained in the authorizations under Title III.

However, enabling legislation in 1958 authorized the Commodity Credit Corporation—notwithstanding other provisions of the law—to purchase products of oilseeds for foreign donations. CCC made its first purchase for this purpose in 1961.

Since 1962, student participation in the financing of foreign nonprofit school lunch programs that use donated food has been on the basis of ability to pay.

In 1964, food aid legislation provided that the assistance given to needy persons should, insofar as practical, be directed toward community and other self-help activities designed to alleviate the causes of the need for such assistance. Accordingly, family dole feeding declined from 26.6 million recipients in fiscal year 1963 to 7.5 million recipients in fiscal 1967.

Some recent changes in the donation program have come about as the result of the disappearance of most CCC surplus food inventories.

For example, in the past 2 years supplies of nonfat dry milk—the principal food used in child-feeding programs—have been sharply reduced by curtailed production. This has necessitated allocation. It has also hastened the search, a successful one, for a formulated protein food to be used as a substitute for milk—in school lunch and maternal and child health programs primarily.

This product—a blend of cornmeal, soy flour, and nonfat dry milk enriched with mineral and vitamin premixes—has been purchased for shipment to 88 countries.

Wheat and wheat products also have had to be allocated this fiscal year because extraordinary demands substantially reduced wheat inventories. Consequently large quantities of corn, cornmeal, grain sorghums, and rolled oats have been programed as substitutes.

Under the foreign donation authority in Title II of Public Law 480, donated food is no longer limited to food in surplus supply. The Secretary of Agriculture will continue to determine the commodities and quantities available for the program. Production and acquisition for this purpose must be justified and contend as usual with unexpected weather conditions and the inevitable effect of supply and demand in the marketplace.

Another basic change in the new authorization: CCC may now pay costs of commodity enrichment, preservation, and fortification. Earlier legislation enabled CCC to pay some processing and transportation costs.

What effects these and other changes incorporated in Title II provisions will have on the donation program remains to be seen. However, it is unlikely that there will be any significant expansion in donations for some time. There will probably be a transition period during which more order and system will be injected into the program by the cooperating sponsors and host governments.

The new law requires that the President use the registered voluntary agencies to the extent practicable. These agencies individually—and collectively through the American Council of Voluntary Agencies for Foreign Service, Inc.—are cooperating in the development of program guidelines and procedures under which the agencies will function as cooperating sponsors.

Donations can now be of wider variety and of improved quality. More enrichment and fortification are possible now, and there can be greater emphasis on high-protein blended foods. These commodity refinements, as well as larger quantities, cost more. Therefore it is more important than ever that projected requirements should be on target and programing on schedule.

This year's donations

For the year ending next June 30, 201 donation programs have been approved that will distribute 2.5 billion

(continued on page 10)

President Calls Major International Conference To Focus Attention on World's Water Resources

Several thousand water technologists and decision-makers on water policy will meet in Washington May 23-31 for the International Conference on Water for Peace, probably the largest intergovernmental conference ever to be held in this city.

"This conference," according to its Secretary-General Richard C. Hagan, "was called by President Johnson so men may exchange experiences in identifying, defining, and solving—or attempting to solve—their water problems. We hope that out of it will come more effective international cooperation in the search for solutions."

Concurrent with the conference, an international exposition of over 300 exhibits will illustrate graphically and objectively the problems faced and progress made in attempting to meet the world's needs for pure water and make better use of its water resources.

President Johnson first announced the conference in October 1965 while the First International Symposium on Water Desalination was meeting in Washington. He said then that the United States would build upon the achievements of the desalination conference by convening another great conference to deal with the world's water problems.

To discuss and plan

Organized jointly by the Departments of State and Interior, the conference will be both a forum for the exchange of scientific information and a planning meeting to lay the groundwork for international cooperation in eliminating water-based illness, flood, drought, and famine. Secretary of the Interior Stewart L. Udall will serve as president of the conference.

Although the United States called the conference, its development has been internationally based from the start. Invitations and requests for papers to be presented at the conference were sent to all nations with which the United States maintains diplomatic relations, as well as to international organizations concerned with world water resources. From 75 to 100 countries are expected to send delegates.

The agenda has been developed around six broad categories:

- Planning and developing programs for irrigation, drainage, flood control, navigation, quality control, supplying water to homes and industry, and multipurpose use of major river systems.
- The physical, geological, and ecological characteristics of water systems and the social and economic characteristics of water problems.
- Technology and research in water programs, including desalination, weather modification, reuse, evaporation control, watershed management, water transport, weather forecasting, conservation, and quality through pollution abatement.
- Education and training in water programs at the professional, subprofessional, and technical levels and the education of water users.
- Organizing water programs on various levels, from the world right down to the regional, and the development of water law.
- Economics and financing of water programs.

The program will be organized on two levels, one for cabinet-level Ministers responsible for water policy and development, the other for experts and observers, including the Ministers, who are concerned with more specific aspects of water use.

Three-part exposition

The exposition, an integral part of the conference, will comprise three galleries: a Gallery of Nations, Water for Humanity, and Water Technology. In the Gallery of Nations, foreign governments and companies will illustrate their experiences with water-resource problems and development. Water for Humanity will feature how water is processed for direct consumption by man and for use in agriculture and industry. Water Technology will show the more complex developments in water use, such as atomic energy for desalination, complete urban sewage systems, conservation projects, and power dams.

Near the entrance to the Gallery of Nations, the U.S. exhibit will set the theme of the conference, depicting the world water crisis, the U.S. problem, how the problem is being attacked, and prospects for the future.

Port Stocks of Canadian Rapeseed Off Sharply

Canada has run into difficulties in marketing its record rapeseed crop.

Heavy loadings of rapeseed for export from Vancouver have cut sharply Canada's stocks in port position, which on March 1, 1967, totaled only 12,000 short tons, or less than half the 28,000 tons of last year.

One reason for this cutback is the slow marketing of domestic production, sales of which totaled only 264,000 tons through March 1 of the current season (Aug.-July) compared with 310,000 last year. Movement of rapeseed supplies, however, will probably pick up soon to meet export demand from the west coast, as well as from the St. Lawrence Seaway, which opens April 15.

All these developments come in the face of a record 1966 production, which at 637,000 short tons is 75,000 tons above that of 1965 and triple the crop of 1963. This bumper production—along with heavy sales to date—has led trade sources to predict a record 360,000 tons for Canadian rapeseed exports in 1966-67.

This will be the third successive record for Canadian rapeseed exports, which have risen sharply in recent years—from 130,300 tons in 1963-64 to 331,800 in 1965-66.

—From dispatch
by GORDON H. LLOYD
Assistant U.S. Agricultural Attaché
Ottawa, Canada

Foreign donations

(continued from page 9)

pounds of food commodities in 109 foreign countries.

So far, about 1.5 billion pounds of food have been donated to the agencies for distribution to 53.7 million eligible recipients. Of these recipients, 55 percent are children who receive the donations in approved school lunch programs.

The distributing agencies this year are 15 voluntary and 2 intergovernmental organizations. Almost 95 percent will be distributed by four organizations—CARE, Catholic Relief Services, Church World Service, and United Nations Children's Fund.

U.S. Trade in Livestock and Meat Products During 1966

U.S. imports of red meats in 1966 totaled 1,273 million pounds—26 percent greater than in 1965. Low prices for imported meat in Western Europe diverted greater shipments to the United States, where markets were more attractive. These same conditions caused exports of red meats and variety meats to fall 7 percent from 1965.

Mutton imports showed the largest percentage gain of all meats in 1966, up 102 percent over a year earlier. Imports of beef and veal showed a substantial gain—up 192 million pounds, or 27 percent. Along with mutton, imports of boneless processing beef showed the greatest increase, accounting for 81 percent of all imported beef and veal. Demand for processing beef has been strong in the U.S.

Imports of fresh, frozen, and chilled beef, veal, mutton, and goat meat covered by the Meat Import Law (P.L. 88-482) totaled 823.4 million pounds in 1966. This was up 34 percent from 1965 but well below the 890-million-pound import quota for the year and the 979 million pounds required to trigger action under the law.

Pork imports were 14 percent higher than a year earlier, with the major increase in canned hams, shoulders, and other canned products. Lamb imports showed a 19-percent increase over 1965.

Live cattle imports, mainly feeder cattle from Canada and Mexico, were down more than 2 percent from 1965, reflecting sharply reduced quantities during the last 3 months of 1966. October, November, and December imports were down 7, 28, and 27 percent, respectively, from a year earlier. Wool imports totaled 277.2 million pounds —2 percent above a year earlier.

U.S. exports of hides and skins reached another record year in 1966, totaling 19.8 million pieces for a value of $154.7 million. Cattle hides represent the major share of all hide and skin exports—72 percent in 1966. Lard exports were down 37 percent from a year earlier as a result of reduced hog slaughter in 1966. Tallow and grease exports showed a decline of 7 percent.

U.S. IMPORTS OF SELECTED LIVESTOCK PRODUCTS
[Product-weight basis]

Commodity	December		Jan.-Dec.	
	1965	1966	1965	1966
Red meats:				
Beef and veal:				
Fresh and frozen:	*1,000*	*1,000*	*1,000*	*1,000*
Bone-in beef:	*pounds*	*pounds*	*pounds*	*pounds*
Frozen	768	398	5,574	5,207
Fresh & chilled	3,329	647	23,764	15,456
Boneless beef	45,800	58,880	535,989	720,193
Cuts (prepared)	521	397	2,450	5,686
Veal	1,787	2,653	18,855	22,029
Canned beef and beef sausage	7,927	7,102	92,753	93,583
Prepared and preserved	1,322	2,480	21,758	31,120
Total beef and veal	61,454	72,557	701,143	893,274
Pork:				
Fresh & frozen	4,053	3,925	47,948	41,982
Canned:				
Hams & shoulders	20,819	15,930	175,328	198,231
Other	4,620	4,548	30,047	50,060
Cured:				
Hams & shoulders	230	191	1,699	1,606
Other	402	261	5,254	3,792
Sausage	266	310	1,993	2,678
Total pork	30,390	25,165	262,269	298,349
Mutton and goat	2,063	3,474	30,023	60,550
Lamb	1,016	619	12,518	14,884
Other sausage	528	601	5,034	5,991
Total red meat	95,451	102,416	1,010,987	1,273,048
Variety meats	410	340	2,243	3,332
Wool (clean basis)				
Dutiable	13,714	10,687	162,702	162,537
Duty-free	7,377	8,619	108,858	114,625
Total wool	21,091	19,306	271,560	277,162
	1,000	*1,000*	*1,000*	*1,000*
Hides and skins:	*pieces*	*pieces*	*pieces*	*pieces*
Cattle	38	32	302	221
Calf	36	22	458	242
Kip	23	48	607	438
Buffalo	34	47	575	468
Sheep and lamb	1,485	980	30,057	27,893
Goat and kid	1,391	364	14,412	10,331
Horse	50	14	398	242
Pig	225	59	2,859	2,094
	Number	*Number*	*Number*	*Number*
Live cattle [1]	228,953	169,351	1,128,303	1,100,347

[1] Includes cattle for breeding.
U.S. Department of Commerce, Bureau of the Census.

U.S. EXPORTS OF LIVESTOCK PRODUCTS
[Product-weight basis]

Commodity	December		Jan.-Dec.	
	1965	1966	1965	1966
	1,000	*1,000*	*1,000*	*1,000*
Animal fats:	*pounds*	*pounds*	*pounds*	*pounds*
Lard	20,579	13,971	250,872	157,621
Tallow and greases:				
Inedible	196,522	165,020	2,123,614	1,971,984
Edible	823	1,701	16,981	16,438
Red meats:				
Beef and veal	3,199	2,569	43,791	28,833
Pork	3,843	5,263	47,654	50,885
Lamb and mutton	135	97	1,176	1,608
Sausages:				
Except canned	356	211	2,355	2,324
Canned	193	88	1,560	1,236
Other canned meats	618	744	8,013	7,889
Meat specialties:				
Frozen	111	133	1,540	1,969
Canned	184	167	2,290	1,830
Total red meats	8,648	9,272	108,379	96,574
Variety meats	21,223	13,591	223,129	213,328
Sausage casings:				
Hog	561	594	6,663	6,923
Other natural	704	333	6,224	5,806
Mohair	213	1,069	8,508	10,667
	1,000	*1,000*	*1,000*	*1,000*
Hides and skins:	*pieces*	*pieces*	*pieces*	*pieces*
Cattle	1,277	1,210	13,309	14,307
Calf	279	146	1,985	2,066
Kip	32	33	474	516
Sheep and lamb	296	163	2,876	2,422
Horse	8	2	35	60
Goat and kid	4	50	303	442
	Number	*Number*	*Number*	*Number*
Live cattle	3,025	7,775	54,171	35,357

Bureau of the Census.

Sudden Drop in U.K. Lard Imports from U.S.

British imports of U.S. lard in January 1967 fell 60 percent from the preceding month and 31 percent from January 1966. Data on February shipments, however, will probably show up more favorable. (The January arrivals probably did not reflect the true situation of the market, since only two ships were transporting U.S. lard.)

Total U.K. lard imports during January 1967 were up 8 percent from both the previous month and January 1966. Greater quantities were imported from Belgium, where hog production has been up substantially for the past 2 years. Significantly larger supplies were also imported from Romania, Denmark, and Italy.

Belgium replaced the United States as the major exporter of lard to the United Kingdom, supplying 12.5 million pounds, or 34 percent, of total U.K. imports in January. This compares with 6.8 million pounds in January 1966, representing a 20-percent share of the market. Romania followed in second place, supplying over 7 million pounds for almost a 20-percent share of the market, a year ago, it supplied less than a million pounds.

The United States, in third place, exported only 6.3 million pounds in January. The U.S. share of the market was only 17.2 percent, down from 27 percent a year earlier and 46 percent in December 1966. In recent years, the United States has held as much as 90 to 95 percent of the U.K. lard market.

While U.S. lard production has been rising and prices declining from 1966 highs, European countries are apparently still underselling the U.S. product.

UNITED KINGDOM LARD IMPORTS
JANUARY 1966 AND 1967

Country of origin	1966		1967	
	Quantity	Percent of total	Quantity	Percent of total
	1,000 pounds	*Percent*	*1,000 pounds*	*Percent*
Belgium	6,799	20.0	12,523	34.0
Romania	747	2.2	7,258	19.7
United States	9,131	26.9	6,315	17.2
Denmark	2,336	6.9	3,032	8.3
Poland	2,867	8.4	2,334	6.3
Germany, West	160	.5	1,915	5.2
France	3,357	9.9	1,206	3.3
Netherlands	2,783	8.2	980	2.7
Italy	3,863	11.4	703	1.9
Sweden	459	1.4	368	1.0
Others	1,446	4.2	148	.4
Total	33,948	100.0	36,782	100.0

Henry A. Lane and Company, Ltd., London.

South African Production of Canned Fruits

South African production of canned peaches and apricots during 1967 is expected to be somewhat below the 1966 levels. Output of canned pears and pineapple, on the other hand, will probably be the same as in 1966.

The 1967 canned peach pack has been forecast at 4,600,000 cases—down slightly from the previous year's record high. The 1967 clingstone pack is expected to approximate the 4,562,000 cases packed in 1966. Exports in the 1967 season have been forecast at 4,000,000 cases, or 64,000 cases below 1966. As usual, the United Kingdom (which took 82 percent of the previous year's exports) is expected to be the largest single market.

Canned pear production may total 1,460,000 cases compared with 1966 output of 1,486,000. Exports have been forecast at 1,200,000 cases, or virtually the same as 1966 exports of 1,174,000 cases.

The canned apricot pack is expected to drop for the second consecutive year and total 700,000 cases, against 988,000 during the previous year. Exports will likely reflect the smaller pack and have been forecast at only 650,000 cases—down 337,000 from the 1966 level.

SOUTH AFRICA'S SUPPLY AND DISTRIBUTION OF CANNED PEACHES

Item	Year ending Oct. 31	
	1966	Forecast 1967
	1,000 24/2½ cases	*1,000 24/2½ cases*
Beginning stocks (Nov. 1)	(1)	(1)
Production	4,646	4,600
Total supply	4,646	4,600
Exports	4,064	4,000
Domestic disappearance	582	600
Ending stocks (Oct. 31)	(1)	(1)
Total distribution	4,646	4,600

[1] Not available.

The canned pineapple pack has been forecast at 1,700,000 cases. Reportedly, South African statistics will no longer show grated pineapple production and exports separately from other pineaple items. Nearly 90 percent of South African production is geared to foreign demand.

Exports of the 1967 pack are figured to total 1.5 million cases, little different from the 1,488,000 of the previous crop year. In the past, the United Kingdom and West Germany have been the most important markets.

SOUTH AFRICA'S SUPPLY AND DISTRIBUTION OF CANNED PINEAPPLE [1]

Item	Year ending Oct. 31	
	1966	Forecast 1967
	1,000 24/2½ cases	*1,000 24/2½ cases*
Beginning stocks (Nov. 1)	(2)	(2)
Production	1,695	1,700
Total supply	1,695	1,700
Exports	1,488	1,500
Domestic disappearance	207	200
Ending stocks (Oct. 31	(2)	(2)
Total distribution	1,695	1,700

[1] Includes grated pineapple. [2] Not available.

Rice Prices Increased in Japan

An agreement has been reached to increase Japan's consumer price for rice by 14.4 percent, effective October 1, 1967.

Details of the proposed price hike will be given to the Rice Price Deliberative Council in early September, but with the backing of both Ministries involved, it is reasonably certain that the proposed 14.4-percent increase will be allowed to stand.

Ministry of Finance officials originally suggested a 15-percent price increase to become effective October 1, to keep as low as possible the deficit in the Food Control Special Account. The compromise was reached after negotiations with the Minister of Agriculture and Forestry.

Peru Exports Less Fishmeal in 1966

Peru, the leading fishmeal exporter, in 1966 exported 1,301,864 metric tons of fishmeal, or 8 percent less than the 1,412,746 tons exported in 1965. However, 1966 production, at 1,470,478 tons, represented an increase of 188,467 tons or 15 percent over 1965. Since domestic consumption amounts to only about 20,000 tons annually, a substantial buildup in stocks has taken place.

PERUVIAN FISHMEAL PRODUCTION AND EXPORTS

Year	Production	Exports
	1,000 metric tons	*1,000 metric tons*
1961	863.8	760.6
1962	1,120.8	1,066.0
1963	1,154.2	1,159.8
1964	1,552.2	1,426.1
1965	1,282.0	1,412.7
1966	1,470.5	1,301.9
1967	[1] 1,500.0	.....

[1] Forecast

The abundance of fish has resulted in a substantial decline in fishmeal prices. This has created financial problems in the Peruvian fish-reduction industry, in addition to those resulting from the industrywide strike during November 1-December 14, 1966.

As a result of this crisis the Peruvian Government instituted a system of fishmeal export licenses, effective January 1, 1967. Under this system, the National Fisheries Association marketing committee allocates quotas to producers in Peru and to fishmeal users. However, this action seems to be resulting in a rate of exports that is far below the rate of production. In January 1967 production was reported to have approximated 270,000 tons compared with 242,400 in January 1966. Stocks on January 31 were at a record, estimated at nearly 600,000 tons.

The Peruvian Government ordered that fishing be suspended during February 15-March 14, 1967. This action was reported to have been taken because of the increased percentage of pedadilla (immature fish) recently being caught. The usual fishmeal extraction rate is about 18.2 percent of the raw fish landed, but recently it has reportedly declined to about 16.4 percent. There is also a corresponding reduction in fish oil production as more smaller fish are caught.

Also indicating a substantial decline, Peruvian exports of fish oil, at 87,389 tons, were 36 percent below the 137,259 tons exported in 1965.

Western Hemisphere Tung Oil Supply Increases

Tung oil supplies in the Western Hemisphere are expected to rise sharply during 1966-67, reflecting the anticipated record outturn in South America as well as increased U.S. production and stocks.

Supplies of tung oil in the United States in 1966-67 are forecast at 83.7 million pounds, compared with 61.2 million in 1965-66. Supplies are significantly larger than domestic consumption, which in 1966-67 is forecast at 40.0 million pounds compared with an estimated 36.2 million for the year ending October 31, 1966.

The U.S. outturn of tung oil in 1966-67 is estimated to amount to 30 million pounds compared with 10 million pounds from the freeze-damaged crop in 1965-66.

U.S. stocks on November 1, 1966, at 52.7 million pounds, were unusually large—exceeding one year's domestic needs. This buildup in stocks reflected the fact that imports accounted for the bulk of U.S. consumption.

Western Hemisphere production this year is expected to exceed total requirements by a substantial amount. This represents a reversal of the situation in 1965-66, when Western Hemisphere requirements exceeded production.

Because of relatively higher prices in the United States, most of the tung oil shipments from South America during 1965-66 moved largely to the United States. Meanwhile practically all of the domestically produced U.S. tung oil moved under CCC loan.

Net exports of tung oil from the Western Hemisphere, chiefly Argentina, in 1966-67 are expected to increase markedly from last year's reduced volume. Most of the increase will move to European markets, where lower prices in recent months and some reduction in the availability of Chinese oil are to some extent increasing outlets for tung oil.

The sharp reduction in tung oil prices which has taken place this season reflects record availabilities from both Argentina and Paraguay. However, as is usually the case following a year of above-average output, a significant decline may be in prospect for the nut crop to be harvested this year.

WESTERN HEMISPHERE SUPPLIES AND REQUIREMENTS OF TUNG OIL

Supply and distribution	Estimated				Forecast
	'62-63	'63-64	'64-65	'65-66	'66-67
SUPPLY	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
Stocks:					
United States (Nov. 1)	12.5	6.8	20.7	51.2	52.7
Argentina (Aug. 1)	8.4	11.8	8.4	9.4	3.6
Paraguay (Aug. 1)	....	1.2	....	3.8	.2
Total	20.9	19.8	29.1	64.4	56.5
Production:					
United States (Nov.-Oct.)	7.6	20.6	36.8	10.0	30.0
Argentina (Aug.-Jul.)	39.2	41.3	39.7	20.6	55.0
Paraguay (Aug.-Jul.)	8.6	14.4	12.0	9.0	20.0
Brazil [1] (Oct.-Sept.)	3.3	1.1	2.4	2.0	2.5
Total	58.7	77.4	90.9	41.6	107.5
Total supply	79.6	97.2	120.0	106.0	164.0
DISTRIBUTION					
Domestic distribution:					
United States [2]	31.7	34.0	34.0	36.2	40.0
Argentina, Paraguay and Brazil	3.0	3.0	3.0	3.0	3.0
Total	34.7	37.0	37.0	39.2	43.0
Net exports [3]	25.1	31.1	18.6	10.3	37.0
Total requirements [4]	59.8	68.1	55.6	49.5	80.0

[1] Exports only. [2] Factory reported consumption data used for years in which reported factory consumption exceeds domestic disappearance. [3] Producing countries only. Net exports include shipments to other Western Hemisphere countries. [4] Total distribution including carryout stocks.
Official and other sources.

New Crushing Mill in Nigeria

According to trade sources a new crushing mill is being constructed in Nigeria at Port Harcourt, under auspices of the Eastern Nigerian Marketing Board. The mill will be the second of its type in Nigeria and will be used primarily for crushing palm kernels. The capacity of the new plant is reported to be 100,000 long tons, annually. The first plant, which is located at Ikeja near Lagos, has an annual capacity of 120,000 tons.

Italy Producing Less Olive Oil in 1966-67

Production of pressed olive oil in Italy from 1966-crop olives is now estimated at 300,000 metric tons, compared with the preliminary forecast of 330,000 tons (December 1966, *World Agricultural Production and Trade, Statistical Report*). In addition to being substantially less than last year's volume of 417,000 tons, this year's oil is reported to be of lower quality due to higher acidity.

Sulfur-oil production in 1966-67 is estimated at 28,000 tons—12,000 less than in 1965-66.

Carryin stocks of olive oil in November 1966 were reported at about 30,000 tons.

Because of the anticipated shortfall in 1966-67 olive oil outturn plus the pending application of the EEC fats and oils regulations, imports of 77,175 tons of pressed olive oil during the year ending October 31, 1966, were more than double the 34,303 imported in 1964-65. Exports of Italian olive oil in 1965-66 amounted to 12,574 tons, as compared with 11,892 tons in 1964-65.

Italian imports of olive oil for domestic consumption in 1966-67 are expected to exceed last season's volume. Spain is expected to be the major supplier even though the levies it faces—9,097 to 12,098 lire per 100 kilograms (6.6 to 8.8 U.S. cents per lb.)—are substantially above levies on Greek olive oil of 800 to 1,500 lire per 100 kilograms (0.6 to 1.1 U.S. cents per lb.).

In 1966 the acreage of specialized olive groves in production showed some increase as a result of financial assistance previously offered to growers by the EEC. However, acreage of olive trees mixed with other plantings continued to decline.

According to recent reports, olive flies were successfully controlled on an experimental basis in the Palermo Province of Sicily by releasing *Opius siculus* insects during the July-October period. Because insects substantially reduced the olive-fly damage, this practice will probably be used in other areas such as Calabria where the olive fly has been a recurrent problem.

India's Cotton Crop Cut by Drought

India's hope for an unusually good cotton crop in 1966-67 has been abandoned because of continuous dry weather in recent months on the west coast, plus prolonged cold weather in January and February. Informed trade people now expect a crop of around 4.7 million bales (480 lb. net), only slightly above the drought-ridden 1965-66 crop of 4.6 million. In the North, the crop of 1,140,000 bales, 400,000 of which was Bengal Desi, was slightly above the previous season's level. India's Central Belt produced around 1.6 million bales, about the same as last season. In the Southern region, winter rains were general, and consequently a larger crop than last season's 650,000-bale outturn is expected.

India may import around 700,000 bales of cotton this season, compared with 460,000 bales in 1965-66. Nearly half of these imports are expected to be U.S. cotton under aid programs. Mill consumption in the August-November period of 1966 totaled 1.7 million bales (480 lb. net), compared with 1.6 million in the same period of 1965. Total consumption in 1966-67 is expected to reach 5.2 million bales (including around 200,000 bales of nonmill consumption), compared with 5.0 million in 1965-66. Since December 12, cotton mills in India have been operating only 5 days each week in order to conserve cotton stocks. Despite the shorter work week, the number of spindles in India continues to rise and there is no idling of spindles because of power shortages, as was the case last year. With the period of peak arrival of Indian cotton now at hand and with large quantities of foreign cotton currently arriving in India, an actual shortage of cotton should not materialize in the next several months.

Exports in 1966-67 are expected to reach 225,000 bales, compared with 140,000 in 1965-66. The unusually low price of Desi cottons has stimulated export demand for this variety. Exports of Bengal Desi continue to be freely licensed.

Iran's Cotton Production and Exports Decline

Iran's 1966-67 cotton crop is placed at around 500,000 bales (480 lb. net), 22 percent below last season's record crop of 645,000 bales. This sharp decrease in production is mainly the result of a serious bollworm infestation in the Caspian Coast rain belt. Area devoted to this season's crop was 965,000 acres, 3 percent above the 1965-66 area of 940,000 acres.

In the first 4 months of 1965-66 (August-November), Iran exported 53,000 bales, compared with 121,000 in the same months a year earlier. Exports by country of destination in the August-November period, in 1,000 bales (comparable 1965-66 figures in parentheses) were Hungary 16 (30); the United Kingdom 13 (28); France 6 (11); West Germany 6 (12); the Netherlands 5 (6); and South Africa 2 (2).

Consumption of raw cotton in 1966-67 (August-July) is expected to increase to about 230,000 bales, compared with around 190,000 in 1965-66. The increase in cotton consumption is the result of unusually high prices for imported synthetic fibers.

Stocks on August 1 are expected to be about 25,000 bales, or a month's supply at the current consumption rate.

Prices for Iranian SM 1-1/16″ cotton averaged 29.33 U.S. cents per pound, c.i.f. Liverpool in February, against 28.84 in February 1966. The recent price increases for Iranian cotton are due to the short crop and strong domestic demand because of the increased cost of imported synthetics.

Japanese Imports of Dairy Products Skyrocket

Getting another boost from steadily rising consumer demand, Japanese imports of dairy products rose sharply in 1966.

Commercial purchases of nonfat dry milk during calendar 1966 climbed 176 percent to 58 million pounds from the 21 million of 1965. West Germany and New Zealand were largest suppliers, shipping 14 million and 13 million pounds, followed by Belgium, with nearly 11 million. Purchases from the United States, normally the major supplier, were reduced because of this country's lowered milk production; at 8 million pounds, they were little more than half the amount supplied by the United States in 1965.

Purchases of cheese, the second biggest import item, nearly doubled, hitting 42 million pounds compared with 22 million in 1965. Largest suppliers were Australia with 13 million pounds; Norway, 11 million; New Zealand, 7 million; and the Netherlands, 6 million.

Most dramatic gain from 1965 occurred in Japanese im-

ports of butter. At 16 million pounds, imports were over 10 times larger than the 1965 level of 1½ million pounds. Nearly all imports of butter came from New Zealand (8 million pounds) and Australia (6 million).

Japanese purchases of whey powder rose to 9 million pounds from 7 million in 1965. The Netherlands, Belgium, and the United States accounted for the bulk of Japan's whey imports.

These dramatic import gains reflect Japan's spiraling consumption of dairy products as a result of steady increases in consumers' incomes and changes in their eating habits. The government is expected to continue to expand imports of dairy products in coming years, so as to keep pace with the burgeoning demand and check further increases in domestic prices, which today are among the highest in the world. Present retail prices for butter are about 95 cents per pound. Processed cheese retails for 85 to 90 cents per pound. Domestic wholesale prices for nonfat dry milk range from 56 to 58 cents per pound.

Currently, it is expected that Japan's 1967 imports of natural cheese will reach 45-50 million pounds; butter, 30-35 million pounds; and whey powder, 10-15 million pounds. Commercial imports of nonfat dry milk may reach 75 million pounds, and purchases of nonfat powder for the school lunch program could reach 90 million.

Argentine Passes New Sugar Law

The Argentine Government on February 16 issued a new law aimed at ending overproduction of sugar. The law, to be effective through May 31, 1972, limits both the harvesting of sugarcane and the mill production of sugar. Some of its major provisions are as follows:

- A maximum sugar production quota for 1967 of 750,000 metric tons or 825,000 short tons. (The government will partially compensate cane growers who convert their land into other crops for excess amounts over the quota up to 90 percent of the 1966 quotas);
- Credit through official banks and free technical assistance for those cane growers who dedicate their land to crops other than sugar, in accord with the government diversification program;
- Subsidy payments for exports of manufactured products containing sugar;
- Installation of new sugar mills as prohibited as well as expansion of industrial capacity in existing mills.

In addition to the above provisions, the law provides for subsidies intended to accelerate mechanization, permits cane growing by duly registered growers only, establishes minimum prices on delivered sugarcane, and prohibits mills from massive layoffs of employees and workers. Argentina still has large carryover stocks of sugar, as its 1965-66 crop reached 1.4 million tons.

Canada Increases Sugarbeet Support

Canada's Agricultural Stabilization Board has been authorized to support the 1967 sugarbeet crop at a national level of C$15.50 per standard ton of beets delivered to the processing plants. This is higher than the figure of C$14.35 for 1966.

The support program, through deficiency payments, insulates Canadian growers from serious downward fluctuations in world sugar prices.

The new program will not alter normal regional differences in returns to producers. In eastern Canada, growers will receive a minimum price of C$15.00 per standard ton, while western producers will get from C$16.00 to C$16.50 a standard ton.

Belgium's Output of Tobacco Products Up

Belgian output of tobacco products during 1966 totaled 64.3 million pounds, up 2.1 percent from 63.0 million produced in 1965. Continued increases in production of cigarettes and cigars more than offset declines in cigarillos, smoking mixtures, snuff, and chewing tobacco.

Cigarette output, at 15.5 billion pieces, was 2.9 percent above the 15.1 billion pieces produced in 1965. Cigars rose to 556 million pieces from 441 million, but cigarillos dropped to 985 million from 1,049 million for the previous year. Combined output of the other products totaled 15.0 million pounds, down 5.2 percent from the 15.9 million produced in 1965.

Leaf usings by manufacturers totaled 71.8 million pounds, or slightly below the 72.2 million used in 1965. The smaller usings in the production of smoking mixtures and cigarillos accounted for most of the decline and more than offset increased usage in the production of cigarettes and cigars. Leaf used in the production of cigarettes accounted for 57.4 percent of total usings, cigars for 10.7 percent, cigarillos for 9.0 percent, and all other products for 22.9 percent.

Cigarette sales last year, at 15,147 million pieces, were 7.7 percent larger than the 14,059 million pieces sold in 1965. Cigar sales, at 316 million pieces, were slightly below the 1965 level of 318 million pieces, while cigarillos dropped significantly from 813 million to 730 million. Combined sales of all other products fell 6.8 percent.

Ontario Flue-Cured Auctions

Sales of the 1966 crop of flue-cured tobacco in Ontario, Canada, totaled 180.6 million pounds through March 3, 1967. The average price per pound as of that date was 72.5 Canadian cents.

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Highlights of the Agriculture and Trade of South Vietnam

Resources:—Eighty percent of South Vietnam's population of 16.4 million is dependent upon agriculture for livelihood. Vietnam's land, 66,000 square miles—equal in size to West Virginia and Virginia combined—is heavily farmed and is characterized by production of predominantly tropical crops. The two southern geographic regions (including the Mekong Delta) are the most intensively cultivated areas. Almost all of the nation's rubber and 90 percent of the vital rice crop is grown in these two regions. A third region, the coastal lowland provinces, stretches along the coast toward the 17th parallel. Here less land is devoted to crops and the soil is less fertile. The interior highland region borders on Laos and Cambodia and contains the most insular provinces in the country.

Agriculture:—Agricultural production moved up rapidly after the Indochina War to a peak in 1963. Production in 1963 was almost double the level of a decade earlier. Since then, aggression from hostile forces served to disrupt planting, harvesting and marketing. The index of agricultural production slipped 7 percent in both 1965 and 1966.

Rice is the most significant agricultural crop and provides two-thirds of the caloric content in the Vietnamese diet. The two southern regions grow most of the nation's rice and provide surplus quantities to deficit provinces in both the highlands and lowlands. Farmers in the Mekong Delta begin planting the major crop in June, and harvesting will run from October through February; the government is trying to make fertilizer available to farmers. A government price support program for rice was put in effect for 1967. The purpose of these programs is to give a better cash return while increasing production.

Rubber has long been the most important commercial crop, but rubber plantations engage relatively few people. Production has decreased during recent years due to lack of security and difficulty in moving the product to markets. Rubber stands have not received the attention needed for optimum production, and fewer new stands are being planted.

Animal production is lead by hogs, chickens, and ducks. Typically, a farmer will keep a small number of these animals for his family's consumption and perhaps a few extra for commercial sale. There is little large-scale commercial production of meat, and small-scale production is limited by inferior breeds and disease.

Food situation:—Rice and vegetables are the essential ingredients of most meals. Milk, cheese and eggs are almost absent from the typical diet and meat consumption is low.

War-caused disruption to food production and marketing has been partially met by assistance from the governments of the United States and South Vietnam. Rice imports, primarily from the United States, have assured a constant availability of foodstuffs.

Foreign trade:—South Vietnam's export position has deteriorated in recent years. Total exports in 1965 amounted to $35.5 million, about 50 percent of the value of 1963 exports. Agricultural products still provide 95 percent of all exports, but there has been considerable change in the ranking of export products. South Vietnam now imports large quantities of rice, whereas in 1963 rice provided 47 percent of the value of all exports. The value of rubber exports has decreased in recent years, but this product is earning about 75 percent of total exports. Exports go primarily to France, Germany, Japan, and the United Kingdom.

Agricultural trade with the U.S.:—Agricultural exports from the United States have moved up markedly during the past 2 years to fill South Vietnam's growing food gap and provide price stability. These products have been shipped to Vietnam primarily under P.L. 480 Title I. Rice, cotton, wheat flour, condensed milk, and tobacco are the principal products exported by the United States to South Vietnam; rice is by far the most significant. Total U.S. rice shipments South Vietnam were 193,000 metric tons in 1965 and 344,000 in 1966.

Factors affecting agricultural trade:—The demand for food imports will remain high until greater national stability can be provided. The high level of food imports will continue through 1967, but Vietnam's need for imported rice will taper if currently considered rice and fertilizer programs produce expected results. Military activity has reduced availability for export of traditional products.

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